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Intergovernmental Group of Experts on Economic
Cooperation among Developing Countries
Geneva, 27 June 1994
Agenda item 6

DRAFT REPORT OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES

Rapporteur: Mr. Emmanuel Katongo (Zambia)

INTRODUCTION - ITEMS 3 AND 4 - ORGANIZATIONAL MATTERS

Speakers: Director ECDC Division
Kenya (for African Group)
FAO
Arab Maghreb Union
Forum Secretariat
UDEAC
UNIDO
Republic of Korea
Zambia
ESCAP
Nigeria

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by Friday, 8 July 1994 at the latest to:

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INTRODUCTION

1. The Standing Committee on Economic Cooperation among Developing Countries, at its first session (11 to 15 January 1993) decided that an Intergovernmental Group of Experts drawn from interregional, regional and subregional groupings as well as from the donor community should be organized prior to the second session of the Standing Committee, to collect relevant information from the donor community and to indicate what prospects there might be for an improvement in assistance programmes to ECDC. As part of the preparation for the meeting, participants in ECDC programmes and projects were invited to submit their ECDC programmes and projects and the corresponding external assistance requirements to this intergovernmental meeting.

2. As provided for in the UNCTAD calendar of meetings, the Intergovernmental Group of Experts on Economic Cooperation among Developing Countries held its session at the Palais des Nations, Geneva, from 27 June to 1 July 1994. In the course of the session, the Group of Experts held three plenary meetings and a number of informal meetings. This report gives a brief account of the proceedings of the plenary meetings.

Chapter I

REVIEW OF INTERNATIONAL SUPPORT TO ECDC: EXPERIENCES OF DEVELOPED AND DEVELOPING COUNTRIES, THEIR PROBLEMS AND PROSPECTS

(Agenda item 3)

3. For its consideration of this agenda item, the Intergovernmental Group of Experts had before it the following reports by the UNCTAD secretariat:

"Review and analysis of the development objectives and external assistance requirements of ECDC participants" (TD/B/CN.3/GE.1/2 and Corr.1).

"Scope and features of the subregional, regional and interregional components of development assistance programmes of the donor community" (TD/B/CN.3/GE.1/3).

4. In addition, the secretariat made available (in the series TD/B/CN.3/GE.1/Misc. ..) a number of contributions submitted by countries or by organizations. (For the list of these contributions, see annex .. below).

5. In her opening statement, the **Director of the Division for Economic Cooperation among Developing Countries and Special Programmes** recalled that the Intergovernmental Group of Experts had been established by the Standing Committee on Economic Cooperation among Developing Countries in pursuance of its decision to make the necessary arrangements for a pragmatic policy dialogue among the donor community, subregional, regional and interregional groupings, as well as participants in ECDC programmes with a view, in particular, to mobilizing support for designing and implementing regional initiatives, interregional activities and networking of integration and cooperation schemes. She emphasized the importance of the Group of Experts' role at a time when there was an upsurge of interest in ECDC, reflected both in the efforts among developing countries themselves and in the increasing willingness of the donor community to engage in a dialogue on the ways to support ECDC efforts. In order to deepen this dialogue, several substantive and institutional issues should be examined.

6. The first substantive issue concerned the "partnership for development", i.e. the triangular feature of cooperation (South-South, supported by the developed

North). Another substantive issue, which had been raised at the September 1992 OECD/DAC meeting, was the favourable stance of that Organization towards supporting integration processes. The last substantive issue related to ways to define the goals and priorities of both the donors and the beneficiaries in order to better identify the ECDC policies and programmes that were likely to secure donor support.

7. Regarding the institutional issues, the January 1993 decision of the Standing Committee on ECDC emphasized that the pragmatic dialogue should be based on comprehensive and constantly updated data. The Group of Experts could examine the feasibility and the practicality of a structured mechanism for this pragmatic dialogue. Proposals to that end might emerge on the coordination of information and on the support to be offered and the role to be played by integration groupings and their secretariats for the operation of such a mechanism.

8. The spokesman for the **African Group** (Kenya) considered that, in the wake of UNCTAD VIII, the concept of ECDC had undergone an important change. Now the developed countries, as "partners in development", were also a part and parcel of the ECDC process. ECDC was thus no longer confined exclusively to the developing world: it was the business of the entire international community.

9. The African Group appreciated the factual information provided by the secretariat on the existing status of development assistance provided by the donors as well as on the requirements of the developing countries' groupings in the forthcoming period. The secretariat report (TD/B/CN.3/GE.1/2) had faithfully provided the information supplied by the various groupings of developing countries. He expected the developed countries to reciprocate by providing information on what support they were willing to provide to the ECDC process. He favoured a frank exchange of views and a proper dialogue on several issues, including the donor-recipient consultation mechanism.

10. Commending the choice of panellists who were to make presentations to the Group of Experts, he said that their contribution should be discussed in an informal brainstorming setting to arrive at concrete and practical proposals. In that connection, he emphasized the importance of the policy recommendations in the secretariat report TD/B/CN.3/GE.1/4 and expressed the hope that the Group of Experts would come up with concrete and practical proposals for mobilizing international support to various initiatives for reinforcing economic cooperation among developing countries.

11. The representative of the **Food and Agriculture Organization of the United Nations** (FAO) provided information on the support rendered by his organization to economic and technical cooperation among developing countries at interregional, regional, and subregional levels. He appreciated the inclusion in the secretariat report of some of the FAO collaborative activities in support of the integration process. He particularly stressed FAO's support, inter alia, to develop a "Common African Agricultural Programme" (CAAP) for the African Economic Community, MERCOSUR and South Pacific Commission.

12. He cited examples of various FAO activities and technical assistance with regional and subregional groupings relative to: (a) inter-country food security arrangements; (b) promotion of economic cooperation in agricultural trade; (c) nutritional improvement, food quality control and safety; and (d) promotion of intra-regional cooperation in the areas of capacity building and manpower training. He also provided information on the FAO Director-General's initiative in launching a Special Programme of Food Production in support of Food Security in the Low-Income Food-Deficit Countries and the role of ECDC/TCDC in its implementation. FAO had also promoted over 100 networks for joint research, exchange of experiences, technologies, planting materials and publications, and training technicians. The plant quarantine networks for SADCC as well as Eastern African countries with headquarters in Harare and United Republic of Tanzania respectively were specifically cited as examples of collaboration with regional and subregional groupings.

13. In conclusion, he underlined the importance and primacy of the developing countries and their institutions in the promotion of ECDC. He vouchsafed the FAO Director-General's determination to pursue innovative ways and modalities to strengthen and expand the links of cooperation.

14. The representative of the **Arab Maghreb Union** (AMU) described the AMU's successful efforts towards regional integration (i.e. the progressive realization of a free-trade area, a customs union and a common market) despite an unfavourable external environment. He also provided information on AMU's integration programmes in the framework of four specialized Ministerial commissions (infrastructure, economy and finance, human resources, food security), several councils of Ministers and working groups. Out of the 36 Conventions adopted by the Presidential Council of the Union, five had been implemented. The institutional structure of AMU included the General Secretariat, the Consultative Council, the Judiciary

Authority, the University and the Academy of Sciences. The Maghrebian Bank for Investment and Foreign Trade would be set up soon.

15. The countries of the AMU conducted a small percentage of their foreign trade among themselves. Therefore, efforts should be made to strengthen intra-AMU trade and create common development strategies. For this purpose, AMU authorities required external assistance for the conduct of studies in seven priority fields (compensation for loss of trade due to the trade convention, investment promotion, monetary and fiscal policies, promotion of the construction sector, industrialization and industrial complementarity, standardization, and the stages of the regional development strategy). Of these seven studies, two had already received technical assistance from UNDP.

16. Other intra-AMU projects identified for donor support were the fight against desertification (a study had been undertaken with the assistance of the Intergovernmental Committee on the Negotiation of an International Convention on Desertification), road transportation (a study had been supported by the Arab Fund for Economic and Social Development), railway transportation and telecommunications.

17. He felt that AMU's experience demonstrated the difficulties and complexities encountered in mobilizing external resources for regional projects. He stressed the need for a direct and continuous dialogue between donors and regional groupings which would facilitate an exchange of information on regional projects and activities and an accurate definition of the external assistance requirements. He favoured efforts to foster a new partnership for development and to establish dialogue among regional and subregional groupings, and invited the donor community to create a technical and financial assistance fund for the Maghreb region.

18. The representative of the **South Pacific Forum Secretariat** introduced the contribution of the Forum secretariat (TD/B/CN.3/GE.1/Misc.4), which detailed the Forum's experience regarding cooperation with international development partners. He drew attention in particular to the Pacific Island Countries/Development Partners Meetings, which had been held three times since 1991. At one of those meetings, the World Bank had pointed to the "Pacific Paradox", namely that the region had been unable to secure sustained levels of economic growth despite the high levels of external assistance. This was partly due to the difficulties faced by small countries in establishing links with the global economy, and therefore regional cooperation was deemed to be very important. Although the smallness of

the member States of the Forum might mean that the experience of the other groupings was not directly applicable to them, and although the experience of the Forum in ECDC was limited, he hoped that useful lessons could be learned from the exchange of views in this Group of Experts.

19. The representative of the **Central African Customs and Economic Union** (UDEAC) described the scope of activities and programmes of cooperation within his grouping in various fields such as fiscal affairs, customs, industry, agriculture, transportation and telecommunications, human resources, and scientific and technical research. Since UDEAC had recently reformulated its strategy on subregional integration, efforts in harmonization, liberalization, public finance and market integration had not come up to the original expectations. UDEAC's new approach to integration included: (a) the simplification of the subregional fiscal and customs framework; (b) the establishment of an inter-State transport and transit procedure; and (c) monetary measures. They were accompanied by several concomitant measures such as the computerization of customs administrations and the harmonization of their information systems; training for customs; fight against customs fraud, smuggling and dumping; weight control structures for vehicles; and organization of cross-border markets.

20. The new approach to integration also envisaged the establishment of the Central African Economic and Monetary Community (CEMAC) consisting of, inter alia, the Central African Economic Union and the Central African Monetary Union. Integration had also been given a sectoral dimension with priority to the sectors of agriculture and environment; industry; trade and transportation.

21. He emphasized that the economic crisis in Central Africa and the ensuing structural adjustment programmes had lent urgency to the need for mobilization of external assistance for the success of the integration of this subregion. This assistance could be either on a sector-by-sector basis or within a comprehensive framework in support of the overall subregional integration. To that end, he envisaged the possibility of holding a round table with all the potential donors at an appropriate stage, depending on the evolution of CEMAC.

22. The representative of the **United Nations Industrial Development Organization** (UNIDO) stated that ECDC had been brought to the forefront in the recent restructuring of UNIDO. There were several reasons for this: in some cases, cooperation was made imperative by the crippling lack of resources; the donor orientation had changed in favour of ECDC; and the conclusion of the Uruguay Round

would also give a certain impetus to ECDC. UNIDO was involved in many of the assistance programmes listed in TD/B/CN.3/GE.1/2 and he cited several examples. The most important question now was how to proceed from here, since yesterday's paradigm was no longer valid. Institutional changes were needed, but no single institution could address the whole range of questions and the approach must be holistic; for example, cooperation should be considered not only in trade relationships but also in investment and in backward and forward linkages in production. Accordingly, the organizations of the United Nations should work as a composite whole and, given the limited resources, the activities currently under way should be considered before new initiatives were looked into. He considered that additionality was one of the biggest problems, and some ways should also be considered to expand the resources. But above all, he stressed the need for a concerted approach by all the United Nations organizations in tackling this problem.

23. The representative of the **Republic of Korea** stated that donor countries, particularly his country which was relatively new to the role of assisting other developing countries, might be unfamiliar with the modalities of this form of development assistance. In this context, he felt that the work of the UNCTAD secretariat was pioneering and also extremely pragmatic in listing the development objectives and priorities of many of the ECDC participants. He therefore considered that UNCTAD was an appropriate body for the further discussion of this issue.

24. The representative of **Zambia** underscored the importance of the Group of Experts in exploring ways and means to make ECDC activities more effective and operational. He welcomed the renewed interest in ECDC among donor countries, and felt that there was a strong need to incorporate regional aspects into their assistance programmes. He also called for assistance from relatively advanced developing countries to the least developed countries in the framework of ECDC/TCDC. However, he recognized that the prime responsibility rested on the developing countries themselves.

25. Referring to the experience of the Southern African Development Community (SADC), he said that the active involvement of development partners in designing, evaluating and implementing the programme of action was very important and the developed partners had not been passive providers. The annual consultative conferences with development partners in SADC provided good opportunities to evaluate the performance of the programme of action as well as to agree on future

plans. These conferences had proved useful in identifying regional projects which deserved assistance; in involving development partners in policy formulation; in finding financial and other resources for assistance; and, in recognizing the need for assistance in increasing the institutional capacity of the SADC secretariat. Ultimate success depended on the degree of commitment of member States, whether financial or political; otherwise, partners might find it difficult to appreciate the priority and importance of regional cooperation. Finally, he pointed out that regional cooperation should be consistent with, rather than contradictory to, the structural adjustment programmes. He urged the developed countries and international organizations, particularly the World Bank and IMF, to recognize this need.

26. The representative of the **Economic and Social Commission for Asia and the Pacific** (ESCAP), describing the promotional and operational activities within ESCAP's subprogramme on Regional Economic Cooperation, said that ESCAP's role was largely by way of providing support and assistance in promoting ECDC and TCDC among the developing countries of the ESCAP region. In the area of TCDC, ESCAP sponsored workshops, study tours and other activities which were designed to exchange experiences. The contributions to TCDC had remained modest and limited. In its support for the ECDC, ESCAP's emphasis was on subregional groupings which, by experience, had proved themselves to be growth centres. He listed those groupings in his region with which ESCAP already maintained cooperation (SAARC, FORUM, ECO) and with which such cooperation was under way (ASEAN). In those groupings the priorities ranged from privatization, transport corridors for landlocked countries (ECO) and poverty alleviation (SAARC).

27. ESCAP had recently held a meeting of the executive heads of the sub-regional groupings. In its forthcoming programme, ESCAP envisaged supporting intra-subregional cooperation in the fields of trade and investment for which the region had tremendous potential. Finally, in approaching the work of the Group of Experts, he supported a wider United Nations system-wide approach to ECDC matters.

28. The representative of **Nigeria**, drawing attention to the difficulties faced by the Economic Community of West African States (ECOWAS) called upon UNCTAD to provide technical assistance for the identification of regional and sub-regional projects requiring international support. He wished to see more cooperation at the private-enterprise level included within the scope of international assistance. He stressed the need for the donor community to give greater emphasis to regional aspects in their development assistance programmes.

Chapter II

RECOMMENDATIONS ON THE IMPROVEMENT OF INTERNATIONAL SUPPORT FOR ECDC PROGRAMMES, PROJECTS AND NEW INITIATIVES

(Agenda item 4)

29. For its consideration of this agenda item, the Group of Experts had before it the following report by the UNCTAD secretariat:

> "Preliminary suggestions regarding the improvement of the scope and effectiveness of subregional, regional and interregional components of development assistance programmes of the donor community" (TD/B/CN.3/GE.1/4).

Action by the Intergovernmental Group of Experts

[To be completed as appropriate]

Chapter III

ORGANIZATIONAL MATTERS

A. Opening of the session

(i) The session of the Intergovernmental Group of Experts on Economic Cooperation among Developing Countries was opened on 27 June 1994 by the Director of the Division for Economic Cooperation among Developing Countries and Special Programmes.

B. Election of officers
(Agenda item 1)

(ii) At its 1st meeting, on 27 June 1994, the Intergovernmental Group of Experts elected its Bureau as follows:

Chairperson: Ms. Clare Birgin (Australia)

Vice-Chairman-cum-Rapporteur: Mr. Emmanuel Katongo (Zambia)

C. Adoption of the agenda and organization of work
(Agenda item 2)

(iii) At the same meeting, the Group of Experts adopted the provisional agenda for its session circulated in TD/B/CN.3/GE.1/1. Accordingly, the agenda for the session read as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Review of international support to ECDC: experiences of developed and developing countries, their problems and prospects
4. Recommendations on the improvement of international support for ECDC programmes, projects and new initiatives
5. Other business

6. Adoption of the report of the Intergovernmental Group of Experts to the Standing Committee on Economic Cooperation among Developing Countries.

(iv) Regarding the organization of work, the Group of Experts decided that, once the formal statements had been delivered in plenary session, the further work would be conducted in informal meetings. The informal meetings would begin, moreover, with the presentations by the three expert panellists.

D. Adoption of the report of the Intergovernmental Group of Experts to the Standing Committee on Economic Cooperation among Developing Countries

(Agenda item 6)

[To be completed]

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First session
Geneva, 27 June 1994
Agenda items 3 and 4

CONCLUSIONS AND RECOMMENDATIONS OF THE INTERGOVERNMENTAL GROUP OF EXPERTS TO THE STANDING COMMITTEE ON ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES */

1. The Intergovernmental Group of Experts on Economic Cooperation among Developing Countries was established by the Standing Committee on Economic Cooperation among Developing Countries, in accordance with its decision to make arrangements for pragmatic policy dialogue between the donor community, regional groupings and participants in ECDC programmes and projects with a view to mobilizing support for designing and implementing regional initiatives and activities.

Main points to emerge from exchange of experience under agenda item 3

2. Participants agreed that there has been an upsurge in interest in ECDC in recent years. Developing countries have worked to strengthen and expand their economic cooperation and integration schemes. Developed countries and international organizations have shown greater willingness to support them.

3. Despite increased efforts in strengthening regional integration and cooperation arrangements, there remains a broad perception that, while there have been successes, many regional groupings are still facing difficulties in achieving their objectives. However, the exchange of experience in the meeting

*/ Adopted at the 2nd (closing) plenary meeting, on 1 July 1994.

indicated that greater efforts should be made in order to reach better commitment by member governments of regional arrangements towards the implementation and enforcement of decisions. In several cases there has been a discrepancy between the objectives that were put forward and the effective means to realize these objectives.

4. Another issue discussed was the proliferation of regional arrangements with overlapping mandates and competencies as well as the lack of policy coordination between national and regional bodies on, inter alia, structural adjustment programmes.

5. In spite of these problems, important positive developments within some integration groupings, such as their move towards an open regionalism, the increase of common infrastructure and further capacity building, are making them increasingly attractive for international support.

6. There was also consensus that greater involvement of the private sector was essential for the success of integration, mobilization of support for regional integration arrangements and the implementation of their programmes.

7. From the point of view of the attitude of donors specifically, problems in implementing regional integration and cooperation have acted as disincentives in mobilizing donor support, particularly when many donors were confronted with the reality of diminishing resources and were acutely conscious of the need for prioritization to ensure that available resources had strong catalytic and multiplier effects.

8. From the point of view of recipients, there were problems related to the delivery of donor assistance. In some cases there was a lack of genuine understanding of development problems of economic integration. In the majority of cases, donors preferred to finance national rather then regional projects: likewise, some beneficiary countries were reluctant to have funds allocated to regional projects that were formerly available on a national basis. Another problem was lack of effective coordination of donor assistance, which contributed to duplication of efforts and wastage of resources. Apprehension was expressed about conditions being attached to assistance and procedures which led to delays in delivering that assistance. However, it was recognized that necessary procedures and conditions are aimed at the successful execution of projects and programmes initiated by developing countries, which, ultimately, is the aim of donor assistance to ECDC. A major cause of delay was the common practice for donors to consider requests for assistance only when they had been channelled through the national government of a member of a regional grouping.

Conclusions

9. It was agreed that ECDC was primarily the responsibility of the developing countries and the donor community should play a supporting role in this process. Meetings between donors and recipients were seen as useful in bringing together development partners to exchange views and gain better understanding of development needs on the one hand and donors' resource constraints on the other.

10. It was considered that greater attention needs to be given to streamlining and rationalization of regional arrangements, donor-recipient dialogue and the coordination of aid types and sources, as well as to the sustainability of programmes.

11. Involvement of the private sector was seen as an additional means of mobilizing finance and investment for regional initiatives. Private sector involvement in dialogue could also produce greater pragmatism in cooperation in regional integration efforts.

Recommendations to the Standing Committee

12. On the basis of its observations and conclusions, the Intergovernmental Group of Experts recommends that:

(a) The Standing Committee support facilitation and promotion of dialogue between ECDC entities themselves and between them and their international partners with the participation of the private sector;

(b) The dialogue could, inter alia focus on:

(i) Exchange of experience of various regions and programmes;

(ii) Major policy issues affecting donor-recipient relations, including the impact of structural adjustment programmes on regional initiatives and the evaluation of the budget implications, taking into account the reduction of intra-regional trade barriers;

(iii) Scope and features of donors' programmes and policies, including the resource constraints they face;

(iv) The medium-term programmes and projects formulated by the ECDC entities, setting a scheduled time frame for action in areas of priority to them;

(v) Identification of areas in which national capacity could be strengthened in so far as ECDC is concerned; in particular, support for training and research in the area of regional integration through seminars, workshops, training and information programmes provided by relevant international bodies;

(c) The Standing Committee call upon regional and international financial institutions to take into account in future the regional dimension in their operation plans, especially through:

(i) Reviewing information about activities and projects decided upon at the regional and subregional levels;

(ii) Facilitating the participation of the regional and subregional groupings as observers in their annual meetings and meetings of the Board of Governors;

(d) The UNCTAD secretariat should request the Development Assistance Committee of the OECD to facilitate the collection, reporting and dissemination of information on ECDC external support;

(e) UNCTAD should cooperate with United Nations regional commissions as well as with other international and regional organizations in giving full support, in particular in:

(i) Providing technical backstopping for this dialogue;

(ii) Providing, on request, assistance to ECDC participants taking into account the available resources in formulating specific programmes and projects considered in the course of the dialogue;

In providing this support, UNCTAD should pay particular attention to facilitating interregional dialogue;

(f) The UNCTAD secretariat should undertake comparative analyses of the successes and failures of regional integration and cooperation arrangements, including an analysis of the areas of overlap of two or more regional integration organizations;

(g) The UNCTAD secretariat should explore ways in which the private sector may assist in enhancing regional cooperation arrangements, for example by supporting regional investment projects in key sectors through Build-Operate-Transfer (BOT) type arrangements, investment funds, etc.